

STATE OF IOWA
PROPERTY ASSESSMENT APPEAL BOARD

Security State Bank,
Petitioner-Appellant,

v.

Linn County Board of Review,
Respondent-Appellee.

ORDER

Docket No. 12-57-0317
Parcel No. 09294-79015-00000

On September 19, 2013, the above-captioned appeal came on for hearing before the Iowa Property Assessment Appeal Board under Iowa Code section 441.37A(2)(a-b) and Iowa Administrative Code rules 701-71.21(1) et al. Clair Lensing, President and Chief Executive Officer of Security State Bank in Springville, Iowa, represented Security State Bank at hearing. Linn County Attorney Gary Jarvis is legal representative for the Board of Review and County Assessor Julie Kester represented it at hearing. Both parties submitted evidence in support of their position. The Appeal Board now, having reviewed the record, heard the testimony, and being fully advised, finds:

Findings of Fact

Security State Bank, owner of property located at 607 6th Street South, Springville, Iowa, appeals from the Linn County Board of Review decision reassessing its property. The real estate was classified commercial for the January 1, 2012, assessment and valued at \$804,200; representing \$165,800 in land value and \$638,400 in improvement value. This was a change from the 2011 assessment.

The subject property is a one-story, brick-veneer bank with 3659 square foot of gross building area built in 2005. It has offices and a lobby on the main floor, and 2705 square feet of basement. The building has a 658 square-foot canopy and a 102 square-foot vault. The improvements are in normal

condition and have 7% physical depreciation. It is located on a 1.210 acre-site with 12,250 square feet of concrete paving, yard lighting, and signage.

Security State protested to the Board of Review on the grounds that the assessment was not equitable as compared with assessments of other like property in the county under Iowa Code section 441.37(1)(a)(1); that the property was assessed for more than authorized by law under section 441.37(1)(a)(2); and that there was an error in the assessment under section 441.37(1)(a)(4). The error claim essentially reasserts its belief the property is over-assessed. The Board of Review denied the protest.

Security State then appealed to this Board on the same grounds. Its error claim simply alleges over-assessment and we do not consider error as a separate claim. Security State asserts the correct fair market value of the subject property is \$713,400, allocated \$75,000 to land value and \$638,400 to improvement value.

Security State's petition to the board of review and appeal to this Board do not contend the subject property's improvements are inequitably assessed or over-assessed. Rather, Security State's claims appear to be primarily concerned with the subject property's assessed land value. The Assessor applied a \$150,000 per-acre value to the parcel's first acre and a \$75,000 per-acre value to the remainder of the parcel for a total assessed land value of \$165,800. This was an increase from the 2011 assessed land value of \$31,475. The significant increase resulted from a complete reappraisal of commercial property in the county for the January 1, 2012, assessment, which was previously done in 1983.

Security State provided to the Board of Review a short report prepared by Keith Westercamp, a consultant who also testified before the Board of Review. (Exhibit F). Security State asserts the report supports its opinion the site is over-assessed. The consultant report is unsigned and specifically states

an appraisal was not completed. We do not find this report helpful in determining the subject property's fair market value and give it no consideration.

Clair Lensing testified that Security State was only challenging the assessed land value. Security State purchased the 2.36-acre site in 2005 for \$150,000, or \$1.46 per-square-foot. (Exhibit A). In August 2008, Security State sold an unimproved 1.15 acres to Casey's General Store for \$375,000, or \$7.49 per-square-foot. The remaining 1.21-acre site is the subject of this appeal.

Casey's property record card indicates its current assessed land value is \$161,250. Like the subject, the Assessor applied a \$150,000 per-acre value to the first acre and a \$75,000 per-acre value to the remainder of the parcel. The Casey's property has the same quality/land rating as the subject property. Because of its location adjacent to the subject and its identical quality/land rating, we find the Casey's property is comparable to the subject.

In support of its appeal, Security State relies on a 27-acre agricultural land sale across the street from the bank at 300 5th Street South. The property sold for \$8800 per-acre in December 2012. Lensing asserts this is comparable to the subject site. He conceded this property is agriculturally classified, has not been developed, and continues to be farmed.

We do not find this property to be comparable for Security State's equity and market value claims. First, agricultural land is assessed based on its productivity and net earning capacity, not its market value. Therefore, this property cannot be used as a comparable property to demonstrate the subject property is inequitably assessed because the respective assessment methods are not the same. Second, this 27-acre, unimproved site differs from the subject property's improved, 1.21-acre site. Security State did not make any adjustments to account for these differences and therefore the sale is ultimately not a reliable reflection of the subject property's market value. Additionally, the sale itself occurred roughly a year after the January 1, 2012, assessment being contested in this appeal and is therefore of minimal relevance.

Joel Rochleau, Vice President and Manager of Security State, also testified. In Exhibit E, he compares the bank's land assessment with that of the land assessments of two improved parcels on 1st Avenue (also referred to as old Highway 151) in Springville and one vacant lot in Marion. The following chart summarizes the information.

Property	Acres	Date of Sale	Sale Price	\$PSF	AV	Quality	Acre Unit Price
Subject	1.21				\$ 165,800	C-975 C-775	\$150,000 \$75,000
11 1st Street	0.99	11/2011	\$150,000	\$3.47	\$ 140,300	C-550	\$40,000
604 1st Street	0.59	4/2012	\$90,000	\$3.49	\$ 82,600	C-200	\$1 psf
265 44th St, Marion	2.74				\$3300		

According to the Board of Review certified record, the 2.74-acre vacant lot in Marion is currently assessed pursuant to platting law. The 2014 value of the vacant lot will increase from its current assessment of \$3300, or \$0.03 per-square-foot, to \$117,600, or \$0.99 per-square-foot, when it is developed. This undeveloped parcel is not comparable to the subject property. Likewise, the improved parcels are smaller than the subject, are not located near the subject on Highway 151, and have different land quality ratings and pricing than the subject. Ultimately, we do not find these properties to be comparable to the subject property.

Appraiser Caleb Howard testified on behalf of the Board of Review regarding three bank properties it contends are comparable. The data is summarized in the chart below. This data shows the subject's assessed value per-square-foot is within the range of other bank properties.

Bank Property	Assessed Value	AV \$PSF	Adjusted Value	Adjusted Value \$PSF	Net Adjustment
Subject	\$ 804,200	\$219.79			
Hills Bank, Mt Vernon	\$1,374,300	\$ 300.46	\$ 1,185,600	\$ 259.20	13.73%
Keystone, Center Point	\$ 791,900	\$ 232.23	\$ 837,850	\$ 245.70	-5.80%
Center Point, Center Point	\$ 761,300	\$ 183.76	\$ 807,000	\$ 194.79	-6.00%

Further, Howard identified six commercial land sales in Exhibit H, which occurred between 2009 and 2011, with traffic counts and locations similar to the subject property. The sale prices ranged from \$1.80 per-square-foot to \$3.95 per-square-foot. Based on these similarly sized, vacant land sales in the county, the median sale price per-square-foot was \$3.19. We note the unit pricing of these assessments range from \$100,000 to \$175,000, depending on its land quality rating. The subject property's unit pricing for the first acre (\$150,000) and the price-per-square-foot (\$3.15) fall within the county ranges.

Additionally, Howard was critical of Westerkamp's report. He acknowledged that Casey's 2008 purchase of adjoining land to the subject property for \$7.49 per-square-foot was above market value. When asked why the Board of Review did not rely on sales of banks in smaller, rural communities, Howard replied that there were limited, if any, sales of banks in those areas.

Reviewing the record as a whole, we find Security State has failed to provide sufficient evidence to support its claims of inequitable assessment, or over-assessment.

Conclusions of Law

The Appeal Board based its decision on the following law.

The Appeal Board has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2011). This Board is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case. § 441.37A(1)(b). The Appeal Board determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount. § 441.37A(3)(a). The Appeal Board considers only those grounds presented to or considered by the Board of Review. § 441.37A(1)(b). But new or additional evidence may be introduced. *Id.* The Appeal Board considers the record as a whole and all of the evidence regardless of who introduced it. § 441.37A(3)(a); *see also Hy-vee, Inc. v. Employment*

Appeal Bd., 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct. § 441.37A(3)(a).

Property is to be valued at one hundred percent of its actual value. § 441.21(1)(a). Actual value is the property's fair and reasonable market value. *Id.* "Market value" essentially is defined as the value established in an arm's-length sale of the property. § 441.21(1)(b). Sales prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.*

To prove inequity, Security State may show an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food Centers v. Bd. of Review of the City of Davenport*, 497 N.W.2d 860, 865 (Iowa 1993). Alternatively, Security State may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shriver*, 257 Iowa 575, 133 N.W.2d 709 (1965). The *Maxwell* test provides that inequity exists when, after considering the actual and assessed values of comparable properties, the subject property is assessed at a higher proportion of its actual value. *Id.* The *Maxwell* test may have limited applicability now that current Iowa law requires assessments to be at one hundred percent of market value. § 441.21(1). Nevertheless, in some rare instances, the test may be satisfied.

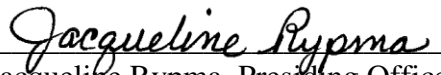
The subject property's land assessment was determined by a method consistent with that used for the adjoining Casey's property and is based on a uniform unit price. Additionally, the sales and land assessments offered by Security State are not comparable to the subject. Security State did not prove by a preponderance of the evidence that its property is inequitably assessed under either the *Eagle Food* or *Maxwell* tests.

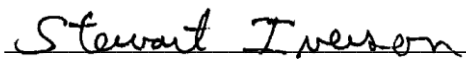
In an appeal alleging the property is assessed for more than the value authorized by law under Iowa Code section 441.37(1)(a)(2), there must be evidence that the assessment is excessive and the correct value of the property. *Boekeloo v. Bd. of Review of the City of Clinton*, 529 N.W.2d 275, 277


(Iowa 1995). Again, we do not find the unadjusted sales offered by Security State are sufficiently similar to be comparable. Therefore, Security State has not provided sufficient evidence of the subject property's fair market value to support its claim of over-assessment.

Viewing the record as a whole, we determine the preponderance of the evidence does not support Security State's claims of inequity or over-assessment as of January 1, 2012. THE APPEAL BOARD ORDERS the January 1, 2012, assessment of Security State Bank's property located in Springville, Iowa, as determined by the Linn County Board of Review, is affirmed.

Dated this 24th day of October, 2013.


Jacqueline Rypma, Presiding Officer


Stewart Iverson, Board Chair


Karen Oberman, Board Member


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Certificate of Service

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause & to each of the attorney(s) of record herein at their respective addresses disclosed on the pleadings on October 24, 2013.

By: ☒ U.S. Mail ☐ FAX
☐ Hand Delivered ☐ Overnight Courier
☐ Certified Mail ☐ Other


Signature _____